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Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 EB-08 COME-00 OPIC-06 L-03 CIAE-00
INR-07 NSAE-00 TRSE-00 /035 W
----------117250 242125Z /73
R 240730Z JAN 78
FM AMEMBASSY KABUL
TO SECSTATE WASHDC 6231

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E.O. 11652: N/A
TAGS: ECON, EINV, AF, US
SUBJECT: B. F. GOODRICH INTEREST IN AFGHANISTAN

REF: STATE 9876

1. EMBASSY WOULD WELCOME VISIT TO KABUL BY DAN CAMPBELL, NEW PROJECTS CHIEF OF B. F. GOODRICH. A PVC FACILITY FOR MANUFACTURING PIPE IS ON THE GOVERNMENT OF AFGHANISTAN (GOA) LIST OF INDUSTRIES ELIGIBLE FOR PRIVATE SECTOR INVESTMENT AND INVESTMENT INCENTIVES. THUS, WE BELIEVE CAMPBELL WOULD BE GIVEN A RESPONSIVE WELCOME BY GOA OFFICIALS.

2. HOWEVER, B. F. GOODRICH SHOULD BE AWARE THAT INVESTMENT IN AFGHANISTAN IS A TORTUOUS PROCESS. THE FIRST PROBLEM TO BE FACED IS FINDING AN AFGHAN PARTNER, AS THE AFGHAN INVESTMENT LAW REQUIRES 51 PERCENT AFGHAN OWNERSHIP. ALTHOUGH THERE IS NO LACK OF CAPITAL IN THE COUNTRY, AFGHAN ENTREPRENEURS ARE RECLUCTANT TO INVEST IN NEW ENTERPRISES BECAUSE OF A LONG-PREVAILING DISTRUST OF THE GOA'S ATTITUDE TOWARD THE PRIVATE SECTOR. ALTHOUGH THE GOA OFFICIALLY PROMOTES PRIVATE SECTOR INVESTMENT, TURGID BUREAUCRATIC PROCESSES AND ARBITRARY ACTIONS BY GOA AGENCIES HAVE OFTEN HAD THE OPPOSITE EFFECT.
PROPOSED NEW INVESTMENTS REQUIRE BOTH EXTENSIVE NEGOTIATIONS AND THE APPROVAL OF A CABINET-LEVEL
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INVESTMENT COMMITTEE. OBTAINING THIS APPROVAL HAS NOT USUALLY BEEN A SPEEDY PROCESS.

3. AFGHAN LAW CONCERNING REPATRIATION OF CAPITAL IS LIBERAL, WITH INVESTORS ALLOWED TO REPATRIATE FREELY PROFITS; PAYMENT OF PRINCIPAL AND INTEREST ON FOREIGN LOANS; AND, AFTER FIVE YEARS, 20 PERCENT

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ANNUALLY OF FOREIGN CAPITAL AND REINVESTED PROFITS.

4. ONE OF AFGHANISTAN'S MAJOR PROBLEMS IS A SHORTAGE OF COMPETENT TECHNICAL AND MANAGERIAL PERSONNEL. TRAINING FOR AFGHAN PARTNERS AND STAFF WOULD BE A NECESSARY COMPONENT OF AN INVESTMENT PACKAGE.

5. THE SITUATION CONCERNING INVESTMENT HAS PROBABLY IMPROVED SLIGHTLY DURING THE LAST FEW MONTHS WITH AN ANNOUNCED (THOUGH UNTESTED) NEW STREAMLINING OF THE APPROVAL PROCESS FOR SMALL INVESTMENTS AND A READY AVAILABILITY OF CREDIT AT MODERATE INTEREST THROUGH THE IBRD-SUPPORTED INDUSTRIAL DEVELOPMENT BANK OF AFGHANISTAN.

6. IN SUM, WE BELIEVE AN EXPLORATORY VISIT FROM GOODRICH WOULD BE WORTHWHILE, AND THE EMBASSY WOULD BE PLEASED TO ASSIST.
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